

Message Text

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PAGE 01 MANILA 02010 090609Z
ACTION EB-08

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FM AMEMBASSY MANILA
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C O N F I D E N T I A L MANILA 2010

PASS: USDA

E O 11652: GDS
TAGS: ETRD, EAGR, RP
SUBJ: SUGAR: GOP NEGOTIATIONS WITH U.S. COMPANIES

REF: A. MANILA 1461; B. STATE 24939

1. GOP SOURCES INDICATE THAT RENEGOTIATION OF PARTICIPATING CONTRACT WITH GREAT WESTERN BEGAN AS SCHEDULED SATURDAY, JANUARY 22 IN MANILA. GREAT WESTERN NEGOTIATING TEAM REMAINED IN MANILA UNTIL FRIDAY, JAN. 28, DEPARTING WITHOUT NEW CONTRACT IN HAND. DURING ENTIRE WEEK ONLY ONE NEGOTIATING SESSION OF ANY SUBSTANCE WAS HELD. GOP NEGOTIATING POSITION WAS REPORTEDLY SAME AS THAT REPORTED PARA 7 OF MANILA 1461, BUT DISCUSSIONS NEVER ENTERED INTO DETAILS OF GOP PROPOSAL. EMBOFF UNDERSTANDS THAT GOP IS ALSO ASKING GREAT WESTERN TO MAKE SOME SORT OF "ADVANCE PAYMENT" FOR THE SUGAR COVERED BY THE TO-BE-NEGOTIATED CONTRACT. THE ADVANCE PAYMENT WOULD BE IN HARD CURRENCY AND AVAILABLE "IMMEDIATELY". GREAT WESTERN OFFICIALS ARE REPORTEDLY NOW MAKING ARRANGEMENTS IN THE U.S. FOR THE FINANCING OF THIS PAYMENT, WHILE CONTINUING AD INTERIM, TO RECEIVE SUGAR SHIPMENTS FROM THE PHILIPPINES UNDER TERMS OF EXISTING PARTICIPATING CONTRACT. GREAT WESTERN REP IN PHILIPPINES APPEARS
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TO BE CONTENT WITH INTERIM ARRANGEMENT AND OPTIMISTIC THAT A NEW CONTRACT WILL BE NEGOTIATED, PERHAPS NEXT MONTH.

2. NEGOTIATIONS BETWEEN SUCREST AND GOP BEGAN ON MONDAY, JAN. 17 IN MANILA, WERE INTERRUPTED FOR A SHORT PERIOD WHEN SURCREST NEGOTIATORS RETURNED TO THE U.S.,

AND ARE NOW AGAIN IN SESSION. THERE IS SPECULATION IN MANILA THAT SUCREST HAS BEEN ASKED FOR SAME TYPE OF "ADVANCE PAYMENT" AS GREAT WESTERN AND IS HAVING DIFFICULTY FINDING THE NECESSARY CAPITAL DUE TO THE COMPANY'S PRECARIOUS FINANCIAL STATE. ACCORDING TO THESE SOURCES, SUCREST HAS NOT RPT NOT PAID FOR THE LAST TWO SHIPMENTS OF SUGAR FROM THE PHILIPPINES AND THE GOP HAS AS A RESULT REASSIGNED ALL SHIPS CHARTERED TO CARRY SUCREST SUGAR TO OTHER BUYERS. EMBASSY HAS BEEN ABLE TO VERIFY WITH SPEARATE SOURCE THAT SHIPS WERE REASSIGNED FROM SUCREST TO OTHER BUYERS AND THAT NEGOTIATIONS HAVE BEEN HOTLY JOINED, BUT OTHER SPECULATIONS REGARDING THESE NEGOTIATIONS CANNOT NOW BE CONFIRMED OR DENIED.

3. COMMENT: PHILIPPINE NATIONAL BANK (PNB), WHICH FINANCES SUGAR CROP LOANS IN THE PHILIPPINES AND SUPPLIES FUNDS FOR GOP SUGAR PURCHASES IS UNQUESTIONABLY CAUGHT IN A SERIOUS LIQUIDITY CRISIS AND BADLY NEEDS CASH. THE PNB HAS BEEN UNABLE, IN SOME CASES, TO PAY SUGAR PLANTERS FOR THE SUGAR PRODUCED DURING THIS CROP YEAR AND AS A RESULT SOME PLANTERS ARE NOT PAYING THEIR WORKERS. GOP IS WELL AWARE OF THE POTENTIAL SOCIAL UNREST THAT COULD RESULT AND THERE HAVE BEEN REPORTS THAT GOP HAS SUGGESTED AN "ADVANCE PAYMENTS" SCHEME TO SEVERAL SUGAR BROKERS HERE. THE RECENT SALE OF PHILIPPINE SUGAR TO PHILLIP BROTHERS (REF A.) REPORTEDLY FOLLOWS THIS PATTERN.
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Sent Date: 09-Feb-1977 12:00:00 am
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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